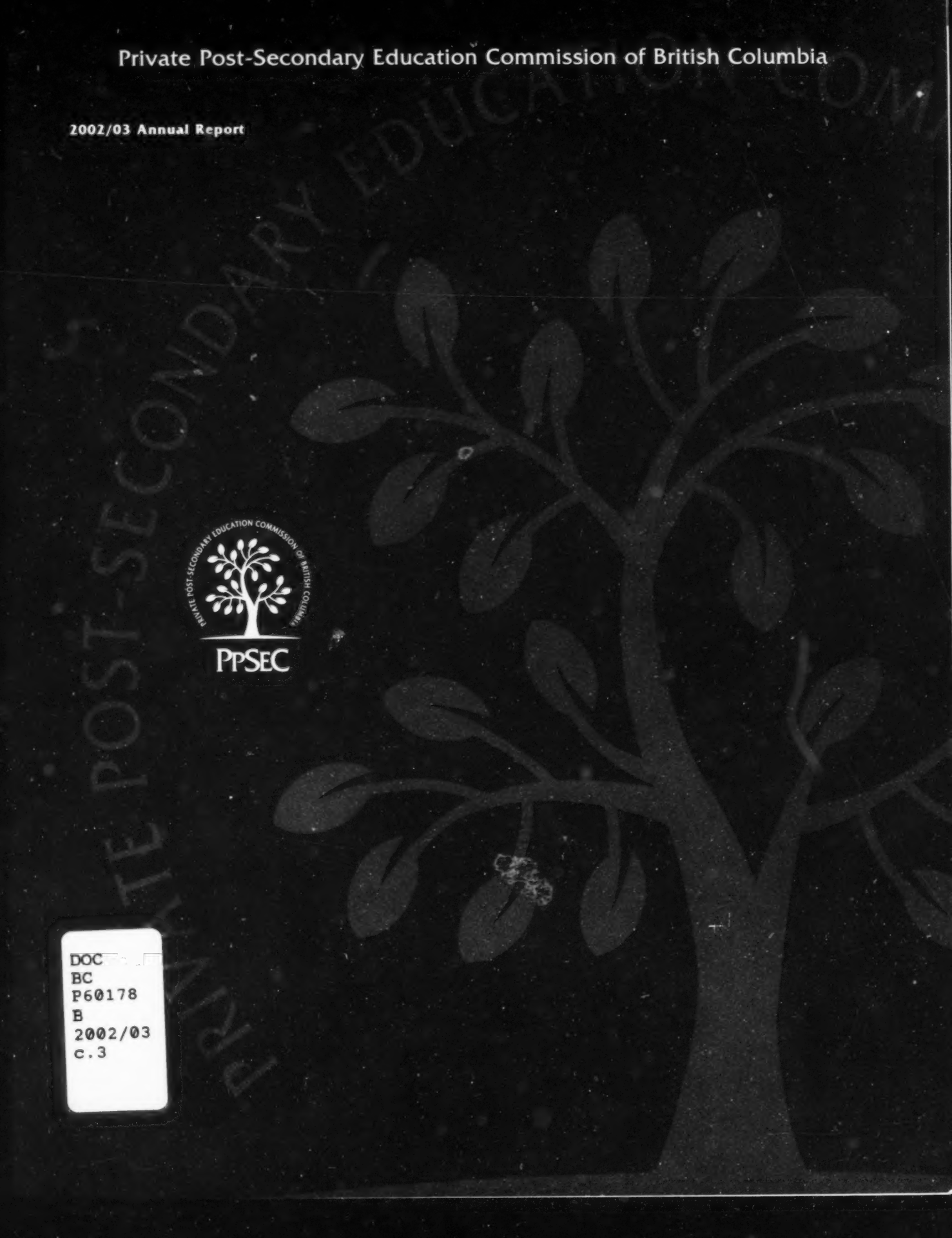
Private Post-Secondary Education Commission of British Columbia

2002/03 Annual Report



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I. ORGANIZATION OVERVIEW

MANDATE

The Commission's mandate is to provide consumer protection to students attending private post-secondary education institutions in British Columbia. This is accomplished by requiring the registration of such institutions and by providing a voluntary accreditation program to registered institutions to ensure that standards of integrity and educational competence are met and maintained.

MISSION

- To provide consumer protection
- To encourage integrity and high standards of educational competence within the private post-secondary sector
- To implement and supervise with fairness and equity registration and accreditation

VISION

The Private Post-Secondary Education Commission envisions a province where all British Columbians are provided with full consumer protection in respect of registered institutions; where students are assured they will receive high quality programs and services from institutions accredited by the Commission; and where accredited private training institutions' courses and/or programs are recognized by provincial policy and formal articulation agreements, applied on a consistent system-wide basis so learners' interests are safeguarded.

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ENABLING LEGISLATION

The Private Post-Secondary Education Commission of British Columbia (PPSEC) is a government agency established in 1992 pursuant to the *Private Post-Secondary Education Act (R.S.B.C.* 1996, c. 375).

STRUCTURE

Commission

The Commission consists of not more than 15 members appointed by the Minister of Advanced Education, with one member designated as Chair. Responsible for appointing the Executive Director, the Commission exercises a fiduciary and policy development function as respects PPSEC operations. Subject to the *Private Post-Secondary Education Act* and Regulations, the Commission issues General Directives to institutions respecting various aspects of their operations, and has developed criteria for the accreditation of registered institutions.

Executive Director

The Executive Director has authority under the Act to appoint examiners; issue, suspend, cancel or deny registration and accreditation certificates; set terms or conditions for granting or continuing a registration or accreditation certificate; have institutions investigated; and offer opinions regarding whether a student was misled as a result of a representation made by an institution.

SERVICES

Registration

Two Registration Officers and two Registration Assistants oversee the registration and re-registration of over 1,100 main and branch campuses each year. Additionally, the Registration staff maintains a program of on-site compliance auditing of institutions, ensuring that institutions are complying with the requirement to post satisfactory financial securities.

Accreditation

Three Accreditation Officers and one Accreditation Assistant provide support to institutions applying for accreditation with the Commission. They also monitor the standards and performance of more than 265 institutions currently accredited.

Student Complaint Investigation

The Executive Director investigates student complaints and prepares written opinions regarding whether a student has been misled as a result of a representation made by an institution.

Location of Operations

The Commission's offices are located at 850 – 1185 West Georgia Street, Vancouver, B.C.

Clients Served

There are more than 1,100 main and branch campuses registered with the Commission, of which 267 are currently accredited. These institutions offered 9,470 certificate and diploma programs to 421,593 registrants last year.

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II. MESSAGE FROM THE CHAIR

On February 8, 2002 the Attorney General announced, pursuant to the Administrative Justice Project and the Core Services Review, that the *Private Post-Secondary Education Act* will be rescinded in favour of new legislation. Under a new act, the Private Post-Secondary Education Commission will be replaced by a self-regulating and self-funding industry board. The new board will register private post-secondary institutions offering career-related training. It will continue to provide a voluntary accreditation program for registered institutions, as well as consumer protection for students attending registered institutions. Accreditation will continue to be a requirement for institutions seeking to be designated for student loans.

It was subsequently announced in the Speech from the Throne on February 11, 2003 that a new *Private Career Training Institutions Act* will be introduced to guide career-related private training, and to ensure tuition protection for students. Pending the proclamation of the new legislation, the *Private Post-Secondary Education Act* and Regulations remain in force.

The announced intent of government to replace the Commission with a new board resulted in a number of operational changes for PPSEC over the past year. The Ministry of Advanced Education discontinued its practice of providing the Commission with a grant. The loss of $200,000 in revenue necessitated the lay-off of three of the Commission's fourteen staff at the end of March 2002. Anticipation of further losses of revenue associated with the narrowing of the scope of the legislation under the new act, with consequent loss of registration fees, gave rise to the lay-off of another staff position in February 2003. With the expiry of its property lease in November 2002, the Commission made arrangements to extend the lease on a short-term basis and to reduce the amount of space it has been leasing.

Owing to the uncertainty associated with the review of Commission operations, the Minister of Advanced Education chose not to renew Commission member appointments at the end of October 2001, with the consequence that the twelve-member Commission was for a period of eleven months reduced to two members, myself as Chair and Blair Littler, Director of the Private Institutions and Sector Initiatives Branch, as the Ministry representative. Mr. Littler left the government at the end of April 2002 and was replaced by Ms. Debbie Andersen, Acting Director, Private Institutions and Sector Initiatives Branch. Since the two-member Commission did not constitute a quorum, the activities of the Commission were restricted to occasional information meetings.

In early September 2002 the Minister appointed six additional industry representatives to the Commission, most of whom had served on the Minister's Advisory Committee on the new

private post-secondary legislation. The interim Commission, whose appointments will continue until the new industry based self-regulating board is established, is charged with overseeing the operations of PPSEC and preparing the organization for the transition to the new training model. Ms. Deborah Hull replaced Debbie Andersen on the Commission on February 20, 2003, as the newly appointed Director, Private Institutions and Sector Initiatives Branch of the Ministry.

While the formal activities of the Commission have been curtailed to a large extent pending the proclamation of the new legislation, the significantly reduced PPSEC staff has, by virtue of job realignment and multi-tasking, continued to fulfill its responsibilities under the *Private Post-Secondary Education Act*, Regulations and General Directives. In addition, in an effort to minimize the regulatory burden on the private post-secondary industry consistent with maintaining consumer protection and institutional integrity, re-registration and re-accreditation processes have been simplified and streamlined. Also, in a year when the private post-secondary industry has been hard hit by the precipitous withdrawal of several bonding companies from the market, the staff has made every effort to accommodate institutions whose bonds have been cancelled on short notice.

In closing, I would like to thank the new Commission members for their contribution over the past few months. Similarly, I would like to express my appreciation to the staff for their commitment to fulfilling the mandate of the Commission through what has often been a stressful and challenging year.

BETTY TULLY
Chair

REGISTRATION

Private post-secondary institutions in British Columbia must comply with the *Private Post-Secondary Education Act*, which requires any person or organization providing training or instruction in the province to persons 17 years of age or older to register with the Private Post-Secondary Education Commission.

Institutions are required to register main and branch campuses. Registration activity for the period April 1, 2002 to March 31, 2002 was as follows:

DATE	REGISTERED INSTITUTIONS
April 2002	1,125
May 2002	1,121
June 2002	1,124
July 2002	1,114
August 2002	1,114
September 2002	1,121
October 2002	1,127
November 2002	1,127
December 2002	1,125
January 2003	1,120
February 2003	1,144
March 2003	1,134

Registration activity since 1992, when PPSEC was first established, reflects rapid growth through the mid 1990s, and a relatively steady state over the past seven years.

YEAR	REGISTERED INSTITUTIONS
March 1993	628
March 1994	806
March 1995	893
March 1996	994
March 1997	1,082
March 1998	1,102
March 1999	1,140
March 2000	1,122
March 2001	1,103
March 2002	1,121
March 2003	1,134

COMPLIANCE AUDITING

A program of on-site compliance auditing of registered institutions was implemented in the spring of 1998 in response to the fact that the Commission had met with varied success in recovering a minimum of 75% of unearned tuition for students displaced by a business failure.

Compliance audit activity over the past four fiscal years is as follows:

DATE	COMPLIANCE AUDITS
March 2000	280
March 2001	258
March 2002	274
March 2003	213

FINANCIAL SECURITIES

The purpose of registration is to provide consumer protection. All institutions registered with the Commission must post a financial security equivalent to 75% of the maximum amount of unearned revenue (tuition) they hold during a registration year. While the number of registered institutions has remained relatively constant for several years, the total value of financial securities held by the Commission has almost doubled. This dramatic increase is in part reflective of increases in student enrolment across the industry, but it is also attributable to the on-site validation of institutions' unearned revenue calculations during compliance audits.

At fiscal year-end, March 31, 2003, the Commission held $68,497,213 in trust assets. Categorized by type of financial instrument, they were as follows:

Surety bonds	$33,310,132
Letters of credit	$26,047,086
Cash and investment bonds	$ 9,139,995

In the event of an institutional closure, the security is used to refund any unearned tuition to students. A total of 161 institutions closed during the past fiscal year. Most of these were orderly closures, with all students being trained out before the closure. In five cases it was necessary to make claims against institutional securities, and in two of these cases the institutions were not adequately secured.

Claims against security due to institutional closure from 1992 to date are as follows:

YEAR	TOTAL CLAIM AMOUNT	TOTAL REFUND AMOUNT
1993	$ 74,267.00	$ 72,501.24
1994	$ 51,282.00	$ 20,000.00
1995	$ 69,126.86	$ 67,979.86
1996	$ 88,492.30	$ 46,532.30
1997	$293,777.17	$ 96,617.17
1998	$191,319.88	$142,728.62
1999	$856,473.17	$506,824.02
2000	$103,500.80	$103,500.80
2001	$288,763.68	$246,235.14
2002	$338,269.28	$286,687.66
2003	$377,186.57	$247,640.29*

*Claims still in process for $220,597.38 of total refund amount.

ACCREDITATION

The *Private Post-Secondary Education Act* stipulates that an institution registered under the Act may apply for accreditation. Accordingly the Commission offers a voluntary accreditation process designed to ensure that standards of integrity and educational competence are met by accredited institutions.

Institutions designated to receive BCSAP funding are required by the Ministry of Advanced Education to be accredited by the Commission.

Human Resources Development Canada will require that private post-secondary institutions in British Columbia accepting students on Employment Insurance support be accredited by the Commission by May 2003.

The history of accreditation activity over the past eight years is as follows:

DATE	ACCREDITED INSTITUTIONS
March 1996	5
March 1997	30
March 1998	46
March 1999	64
March 2000	115
March 2001	222
March 2002	250
March 2003	267

STUDENT COMPLAINTS

Section 28 of the *Private Post-Secondary education Act* provides for tuition refunds to students if they have enrolled with an institution not registered with the Commission, or if in the opinion of the Executive Director a student was misled as a result of a representation made by an institution.

Students seeking an opinion under section 28 of the Act must file a student complaint with the Commission. During the past fiscal year, the Executive Director offered opinions relating to 57 student complaints. In only three cases was there evidence of the complainants having been misled by an institutional representation.

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE

As is reflected in the Statement of Operations, total revenue was $205,000 less in 2002/03 than in 2001/02, owing primarily to the loss of the $200,000 grant from the Ministry of Advanced Education. Registration fees were somewhat lower than planned, but were more than made up for as a result of a number of institutions being assessed late registration fees.

Accreditation revenue was almost identical to last year. Anticipated increases associated with Human Resource Development Canada's policy that institutions accepting Employment Insurance supported students must be accredited by May 2003, did not materialize.

Interest revenue declined for the second year in succession, due to lower interest rates in the first part of the fiscal year than anticipated.

EXPENSES

Expenses are lower in almost every category this year. Advertising and publications is half the preceding year, as we curtailed advertising and reduced the cost of the Commission's annual report by posting it electronically. Amortization was almost half the previous year, with fewer purchases of equipment and software. Commissioner expenses remained low, owing to fewer members and fewer meetings until the latter part of the fiscal year. The $45,000 reduction in Professional fees reflects a significant reduction in legal expenses over the previous year. The close to $200,000 reduction in salaries and benefits reflects the staff layoffs in that were undertaken to accommodate the anticipated loss in revenue. So too does the $10,000 savings in Travel and meals.

AUDITORS' REPORT

To the Commissioners of the
Private Post-Secondary Education Commission

We have audited the Statement of Financial Position of the Private Post-Secondary Education Commission as at March 31, 2003 and the Statements of Operations, Changes in Net Assets, and Cash Flows for the year then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Vancouver, British Columbia
May 7, 2003

STATEMENT OF FINANCIAL POSITION

For the year ended March 31	2003	2002
ASSETS		
Current		
Cash	$ 685,178	$ 812,734
Accounts receivable	8,985	8,356
Prepaid expenses	12,960	15,406
	707,123	836,496
Capital assets (Note 1)	10,980	16,939
	$ 718,103	$ 853,435
LIABILITIES AND NET ASSETS		
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 47,911	$ 140,744
Deferred registration and accreditation fee revenue	533,506	573,289
	581,417	714,033
Net Assets		
Invested in capital assets	10,980	16,939
Internally restricted for special purposes (Note 4)	48,972	80,097
Available	76,734	42,366
	136,686	139,402
	$ 718,103	$ 853,435

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

APPROVED ON BEHALF OF THE BOARD:

Betty Tully
Commissioner

Commissioner

STATEMENT OF OPERATIONS

For the year ended March 31	TOTAL 2003	2002
Revenue		
Registration fees	$ 844,170	$ 841,470
Grant from Ministry of Advanced Education	–	200,000
Accreditation fees and costs (net, Note 3)	144,802	143,571
Interest and miscellaneous	17,579	24,940
	1,004,551	1,209,981
Expenses		
Advertising and publications	4,468	9,402
Amortization	15,296	28,460
Commissioners	7,809	9,030
Courier and postage	9,583	14,075
Equipment rental	10,094	6,004
Insurance	3,515	2,988
Office and supplies	26,164	32,345
Professional fees	18,264	63,528
Rent	133,908	130,886
Repairs and maintenance	4,170	4,271
Salaries and benefits (Note 4)	740,102	934,864
Telephone and fax	16,628	18,761
Travel and meals	17,603	27,310
	1,007,604	1,281,924
Net loss from operations	(3,053)	(71,943)
Gain on disposal of assets	337	–
Excess of revenues under expenses for the year	$ (2,716)	$ (71,943)

STATEMENT OF CHANGES IN NET ASSETS

For the year ended March 31

	INVESTED IN CAPITAL ASSETS	INTERNALLY RESTRICTED FOR SPECIAL PURPOSES	AVAILABLE	TOTAL 2003	2002
Balance, beginning of year	$ 16,939	$ 80,097	$ 42,366	$ 139,402	$ 211,345
Excess of revenue over (under) expenses for the year	–	(31,125)	28,409	(2,716)	(71,943)
Amortization	(15,296)	–	15,296	–	–
Inter-fund transfers	9,337	–	(9,337)	–	–
Balance, end of year	$ 10,980	$ 48,972	$ 76,734	$ 136,686	$ 139,402

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

STATEMENT OF CASH FLOWS

For the year ended March 31	2003	2002
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses for the year	$ (2,716)	$ (71,943)
Items not involving cash		
Amortization	15,296	28,460
Gain (loss) on disposal of capital assets	(337)	–
	12,243	(43,483)
Changes in non-cash working capital balances		
Accounts receivable	(629)	11,270
Prepaid expenses	(2,446)	(4,469)
Accounts payable and accrued liabilities	(92,833)	88,380
Deferred registration and accreditation fee revenue	(39,784)	15,347
	(118,557)	67,045
Investing activities		
Purchase of capital assets	(9,802)	(18,819)
Disposal of capital assets	803	–
	(8,999)	(18,819)
Increase (decrease) in cash during the year	127,556	48,226
Cash, beginning of year	812,734	764,508
Cash, end of year	$ 695,178	$ 812,734

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

March 31, 2003

Nature of Business

The Private Post-Secondary Education Commission was incorporated under the Private Post-Secondary Education Act on July 27, 1990. The Commission is an agent of the Province of British Columbia.

The Commission is involved in developing and administering a mandatory registration system and voluntary accreditation program for private postsecondary educational institutions in the Province of British Columbia. There is a planned transition as outlined in Note 7.

Revenue

Registration fees are recognized over the registration period. The portion of registration and accreditation fees that relate to the period following the Commission's year end have been reflected on the balance sheet as deferred revenue. The period of registration commences when all requirements of registration are met.

Capital Assets

Capital assets are recorded at cost with amortization provided on a straight-line basis at the following annual rates:

Computer hardware	– 33 1/3%
Computer software	– 50%
Office furniture	– straight line basis over 5 years
Tenant improvements	– straight line basis over term of the lease

Financial Instruments

The Commission's financial instruments consists of cash, accounts receivable and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Commission is not exposed to any significant interest, currency or credit risks arising from these financial instruments. Fair values of financial instruments are approximated by their carrying values unless otherwise stated.

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at March 31, 2003 and revenues and expenses during the year then ended. The actual outcome could differ from the estimates made in the preparation of the financial statements.

NOTES TO FINANCIAL STATEMENTS

March 31, 2003

1. Capital Assets

	COST	ACCUMULATED AMORTIZATION	2003 NET BOOK VALUE	2002 NET BOOK VALUE
Computer equipment	$ 61,328	$ 53,930	$ 7,398	$ 12,705
Office furniture	40,680	38,910	1,770	3,593
Tenant improvements	4,326	4,326	–	641
Software	63,289	61,477	1,812	–
	$ 169,623	$ 158,643	$ 10,980	$ 16,939

2. Income, Capital and Goods and Services Taxes

The Commission is exempt from federal and provincial income and capital taxes under Section 141(1)(d) of the Income Tax Act. As an agent of the Province, the Commission is not subject to goods and services tax.

3. Accreditation Fees and Costs

	2003	2002
Revenue	$ 258,421	$ 228,073
Direct costs	115,619	84,502
	$ 142,802	$ 143,571

4. Net Assets Internally Restricted for Special Purposes

The Commission has internally designated these amounts as funding for costs associated with carrying out the Commission's mandate, enforcement of the Act, and as a stabilization fund for fluctuations in registration.

During the current year, one employee was terminated in an effort to reduce expenditures and balance the budget. A severance payment was made to the employee for $31,125. In the prior year, three employees were terminated with payments totalling $78,741. These payments are not typical of the Commission and consequently salaries and benefits are higher than was budgeted for. These payouts were funded from the Special Purposes fund.

5. Security requirements

Many institutions applying for registration with the Commission are to provide financial security in conjunction with their application. Security requirements are met by way of investment and surety bonds, letters of credit or cash. As of March 31, 2003 the following requirements were held in trust by the Commission and are not reported elsewhere in these financial statements:

Cash and investment bonds	$ 9,139,995
Letters of credit	$26,047,086
Surety bonds	$33,310,132

NOTES TO FINANCIAL STATEMENTS (continued)

6. Commitments

The Commission is obligated under operating leases for office premises and office equipment which expire in November 2003 (office premises) and April 2006 (office equipment) and is committed to annual payments for the next five years as follows:

Year	Amount
2004	$84,304
2005	8,280
2006	6,804
2007	198
	$99,586

7. Going Concern

The Private Post-Secondary Education Commission will be replaced by a self-regulating and self-funding industry board. The change is a result of the Provincial Government's administrative justice Project and Core Services Review announced February 7, 2002, by the Attorney General.

There will be no immediate changes; the legislation and regulations for the Private Post-Secondary Education Commission remain in force until the transition is complete.

During the transition phase, students attending any institution currently registered with the Private Post-Secondary Education Commission will continue to have their fees covered by the existing consumer protection system.

These financial statements are prepared on a going concern basis as opposed to a liquidation basis as it is believed that operations will continue and future transition to a new model will be orderly.

ACCOUNTANTS' REPORT ON THE SECURITY REQUIREMENTS HELD BY THE PRIVATE POST-SECONDARY EDUCATION COMMISSION

To the Commissioners of the
Private Post-Secondary Education Commission

As specifically agreed, we have performed the following procedures on the security requirements held by the Private Post-Secondary Education Commission as at March 31, 2003. As reported in the accounting records of the Commission:

(a) We obtained a listing of institutions registered with the Commission and selected a sample of 30 institutions for testing.

(b) We reviewed the security requirements as specified by the Commission to ensure that the security collected was consistent with the security requirements. No exceptions were noted.

(c) For each institution selected, we physically verified the existence of the security instrument on March 31, 2003. No exceptions were noted.

(d) We verified that the face amount of the security instrument was equal to or in excess of the security required by the Commission. No exceptions were noted.

The procedures do not constitute an audit of the security requirements held by the Commission and, accordingly, we do not express an opinion on the security requirements held by the Commission as at March 31, 2003.

This report is for use solely by the Commissioners of the Private Post-Secondary Education Commission.

BDO Dunwoody LLP

Chartered Accountants

Vancouver, British Columbia
April 2, 2003

COMMISSIONERS SERVING 2002/03

Debbie Andersen
Ministry of Advanced Education
Victoria BC
(Resigned December 2002)

Peter Dahl
Quadrant Marine Institute
Sidney BC
(Appointed Sept. 2002)

Derek Hamill
Academy of Learning
North Vancouver BC
(Appointed Sept. 2002)

Niels Hartvig-Nielsen
Centre for Applied Technology of the Okanagan
Mission BC
(Appointed Sept. 2002)

Deborah Hull
Ministry of Advanced Education
Victoria BC
(Appointed March 2003)

Monica Lust
BC Career Colleges Association
Vancouver BC
(Appointed Sept. 2002)

Cal Purcell
Career Trainers Association of Canada
Vancouver BC
(Appointed Sept. 2002

Norma Strachan
Association of Service Providers for Employment and Training
Victoria BC
(Appointed Sept. 2002)

Betty Tully
PPSEC Chairperson
Tully and Company
Sooke BC

Marty Wittman
Metro College
Vancouver BC
(Appointed Sept. 2002)

COMMISSION STAFF 2002/03

GENERAL ADMINISTRATION

Jim Wright
Executive Director

Sonja Westerhof
Finance Officer

REGISTRATION

Jennifer Bradshaw
Registration Officer

Peter Bullock
Registration Officer

Susan Smith
Registration Officer

Annette Piasecki
Registration Assistant

Rhonda Quinn
Registration Assistant

ACCREDITATION

Stephen Siblock
Accreditation Officer

Nick Turner
Accreditation Officer

Sue Williams
Accreditation Officer

Lina Smith
Accreditation Assistant

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